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TOTAL COMMUNITY ACTION, INC.
FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANT

December 31, 2002

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Release Date 8/20/03

Justin J. Scanlan, C.P.A.
CERTIFIED PUBLIC ACCOUNTANT

TOTAL COMMUNITY ACTION, INC.

**FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANT**

December 31, 2002

TOTAL COMMUNITY ACTION, INC.

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Justin J. Scanlan, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Total Community Action, Inc.

I have audited the accompanying statement of financial position of Total Community Action, Inc. (a nonprofit corporation) as of December 31, 2002 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Total Community Action, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Total Community Action, Inc. as of December 31, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated May 29, 2003, on my consideration of Total Community Action, Inc.'s internal control structure over financial reporting and my tests of its compliance with laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was made for the purpose of forming an opinion on the basic financial statements of Total Community Action, Inc. as a whole. The supplemental information listed in the table of contents are presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Justin J. Scanlan, C.P.A.

New Orleans, Louisiana
May 29, 2003

TOTAL COMMUNITY ACTION, INC.
STATEMENT OF FINANCIAL POSITION

December 31, 2002

ASSETS

Cash, including certificates of deposit of \$190,753		\$ 947,761
Investment securities (Notes A5 and B)		634,759
Receivables		
Grants (Notes A6 and C)	\$ 1,218,596	
Travel advances	774	
Interest	565	
Subrecipients	54,179	
Other	<u>58,334</u>	1,332,448
Property and equipment-at cost (Note A4 and D)		43,194
Economic interest – Economic Development Unit, Inc. (Note E)		<u>433,200</u>
Total assets		<u>\$ 3,391,362</u>

LIABILITIES AND NET ASSETS

Notes payable (Note F)		\$ 123,106
Accounts payable and accrued liabilities		811,344
Pension contribution payable (Note G)		<u>837,934</u>
Total liabilities		1,772,384
Commitments (Note H)		-
Net assets		
Unrestricted		968,696
Temporarily restricted		77,052
Permanently restricted		<u>573,230</u>
Total net assets		<u>1,618,978</u>
Total liabilities and net assets		<u>\$ 3,391,362</u>

The accompanying notes are an integral part of this financial statement.

TOTAL COMMUNITY ACTION, INC.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2002

	<u>UNRESTRICTED</u>	<u>TEMPORARILY UNRESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUES				
Government grants	\$ -	\$ 27,589,571	\$ -	\$ 27,589,571
Interest income	16,843	4,216	5,674	26,733
Fund raising, net of direct expenses of \$6,151	7,661	-	-	7,661
Unrealized appreciation on investment securities	-	-	45,212	45,212
Other	252,707	-	-	252,707
Net assets released from restrictions	<u>27,768,091</u>	<u><27,741,643></u>	<u><26,448></u>	<u>-</u>
TOTAL REVENUES	<u>28,045,302</u>	<u>< 147,856></u>	<u>24,438</u>	<u>27,921,884</u>
EXPENSES				
Salaries	8,748,554	-	-	8,748,554
Fringe benefits	2,223,388	-	-	2,223,388
Travel	133,194	-	-	133,194
Contractual	458,583	-	-	458,583
Supplies	962,700	-	-	962,700
Food costs	815,846	-	-	815,846
Subrecipient costs	5,988,692	-	-	5,988,692
Equipment expense	498,648	-	-	498,648
Insurance	298,512	-	-	298,512
Utility assistance	2,733,777	-	-	2,733,777
Telephone	97,336	-	-	97,336
Rent	648,676	-	-	648,676
Utilities	251,244	-	-	251,244
Vehicle expense	105,919	-	-	105,919
Postage	47,710	-	-	47,710
Other costs	<u>3,546,361</u>	<u>-</u>	<u>-</u>	<u>3,546,361</u>
TOTAL EXPENSES	<u>27,559,140</u>	<u>-</u>	<u>-</u>	<u>27,559,140</u>
Increase <decrease> in net assets	486,162	< 147,856>	24,438	362,744
Net assets - restated, beginning of year (Note I)	<u>482,534</u>	<u>224,908</u>	<u>548,792</u>	<u>1,256,234</u>
Net assets, end of year	<u>\$ 968,696</u>	<u>\$ 77,052</u>	<u>\$ 573,230</u>	<u>\$ 1,618,978</u>

The accompanying notes are an integral part of this financial statement.

TOTAL COMMUNITY ACTION, INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2002

Increase <decrease> in cash and cash equivalents

Cash flows from operating activities:

Increase in net assets \$ 362,744

Adjustments to reconcile increase in net assets to net
cash provided by operating activities:

Unrealized depreciation of investments \$ <45,212>

Changes in assets and liabilities:

Decrease in grants receivable 1,991,380

Decrease in travel advances 388

Increase in accrued interest <565>

Increase in due from subrecipients <725,359>

Increase in other receivables <11,816>

Decrease in accounts payable and accrued liabilities <36,593>

Decrease in pension contribution payable <12,366> 1,159,857

Net cash provided by operating activities 1,522,601

Cash flows from investing activities:

Purchase of investments <194,885>

Proceeds from sale of investments 184,253

Acquisition of transportation equipment <43,194>

Net cash used in investing activities <53,826>

Cash flows from financing activities:

Payment of notes payable <1,743>

Proceeds from note payable 28,957

Net cash provided by financing activities 27,214

Net increase in cash and cash equivalents 1,495,989

Cash <overdraft> and cash equivalents, beginning of year <548,228>

Cash and cash equivalents, end of year \$ 947,761

The accompanying notes are an integral part of this financial statement.

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of Activities

Total Community Action, Inc. was organized to promote and develop economic opportunity in the City of New Orleans, to promote the education and welfare of the people of New Orleans, and to mobilize such human and financial resources as may be available to combat poverty in New Orleans.

2. Presentation of Financial Statements

The corporation's financial statements are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations," dated June 1993. Accordingly, the net assets of the corporation are reclassified to present the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Net assets of the restricted class are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

3. Revenue Recognition

For financial reporting, the corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets and permanently restricted net assets are classified to unrestricted net assets and reported in the statement of activity as "net assets released from restrictions".

Grant revenue is recognized as it is earned in accordance with approved contracts.

4. Property and Equipment

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on the straight-line method. There was no depreciation expense for the year ended December 31, 2002.

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Property and Equipment - continued

It is the policy of the corporation to capitalize all property, furniture, and equipment with an acquisition cost in excess of \$5,000.

5. Investment Securities

Under FASB No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations," investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains or losses are included in the change in net assets.

6. Receivables

The corporation considers accounts receivable to be fully collectable since the balance consists principally of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

7. Cash Equivalents

For purposes of the statement of cash flows, the corporation considers all investments with original maturities of three months or less to be cash equivalents.

8. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

9. Fair Values of Financial Investments

Cash, and cash equivalent amounts reported in the statement of financial position approximate fair values because of the short maturities of those investments.

The fair values of investment securities are based upon quoted market prices for those or similar investments.

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Total Columns of Combined Statements - Overview

Total columns are captioned "Memorandum Only" to indicate that they are presented only to assist with financial analysis. Data in these columns do not present financial position or changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE B - INVESTMENT SECURITIES

Investment securities, cost and approximate market value at December 31, 2002 consist of the following:

	<u>Fair Market Value</u>	<u>Cost</u>
Government securities	\$ 524,920	\$ 508,527
Mutual funds	<u>109,839</u>	<u>120,126</u>
	<u>\$ 634,759</u>	<u>\$ 628,653</u>

The unrealized appreciation for the year ended December 31, 2002 totaled \$45,212. As of December 31, 2002, the cumulative unrealized appreciation totaled \$6,106.

NOTE C - GRANTS RECEIVABLE

The grants receivable consist of the following as of December 31, 2002:

State of Louisiana Department of Social Services	\$ 14,112
City of New Orleans	34,065
State of Louisiana - Department of Labor	196,830
State of Louisiana - Department of Education	262,485
U.S. Department of Health and Human Services	361,745
Louisiana Housing Finance Agency	<u>349,359</u>
	<u>\$ 1,218,596</u>

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2002

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2002 consist of the following:

Transportation equipment	\$ 62,486
less accumulated depreciation	<u>< 19,292 ></u>
	<u>\$ 43,194</u>

Total Community Action, Inc. follows the practice of not capitalizing furniture, fixtures, equipment and leasehold improvements acquired with federal or state funds, since the government has a reversionary interest in such assets. These assets totaled \$195,070 at December 31, 2002.

NOTE E - ECONOMIC INTEREST - ECONOMIC DEVELOPMENT UNIT, INC.

On November 2, 1999, Total Community Action, Inc. cancelled its note receivable with Economic Development Unit, Inc. totaling \$433,200. In consideration of the cancellation of the note, Total Community Action, Inc. received three appointments to the Board of Directors of Economic Development Unit, Inc. The Board of Directors shall consist of between six and nine members. In addition, upon dissolution of Economic Development Unit, Inc., the property and assets shall be donated and distributed to Total Community Action, Inc. The Articles of Incorporation of Economic Development Unit, Inc. has been amended to reflect the change in the Board of Director's composition and the distribution of its assets and property upon dissolution.

The unaudited financial statements of Economic Development Unit, Inc. as of and for the year ended December 31, 2002 consist of the following:

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2002**

ASSETS		LIABILITIES AND NET ASSETS	
Cash	\$ 147,293	Accounts payable and accrued liabilities	\$ 12,000
Receivables	10,434	Mortgage note payable	<u>189,942</u>
Property and equipment-at cost		Total liabilities	201,942
Building	604,030	Net assets - unrestricted	<u>156,548</u>
Improvements	78,365		
Office Equipment	<u>15,522</u>	Total net assets	<u>156,548</u>
	697,917		
less accumulated depreciation	<u><697,334 ></u>	Total liabilities and net assets	<u>\$ 358,490</u>
	583		
Land	<u>200,000</u>		
	<u>200,583</u>		
Deposits	<u>180</u>		
Total assets	<u>\$ 358,490</u>		

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2002

NOTE E – ECONOMIC INTEREST – ECONOMIC DEVELOPMENT UNIT, INC. – CONTINUED

**STATEMENT OF ACTIVITIES
For the year ended December 31, 2002**

REVENUE

Rental income, less direct expenses of \$254,223	\$ <24,214>
Interest income	<u>1,753</u>
Total revenue	<u><22,461></u>

EXPENSES

Management and general	<u>13,765</u>
Total expenses	<u>13,765</u>
Decrease in net assets	<36,226>
Net assets, beginning of year	<u>192,774</u>
Net assets, end of year	<u>\$ 156,548</u>

NOTE F – NOTES PAYABLE

The notes payable consists of the following as of the December 31, 2002:

Note payable to bank, at a 7.25% interest rate, due March, 2006. Payable in monthly installments of \$800, and a balloon payment of \$86,714. The note is secured by a certificate of deposit totaling \$140,629

\$ 94,149

Note payable to Total Community Action Federal Credit Union due December, 2005. Payable in montly installments of \$447, including interest at the rate of 9%. The note is secured by transportation equipment totaling \$20,779.

14,042

Note payable to Total Community Action Federal Credit Union due December, 2005. Payable in montly installments of \$474, including interest at the rate of 9%. The note is secured by transportation equipment totaling \$22,414.

14,915
\$ 123,106

The interest expense for the year ended December 31, 2002 totaled \$7,857.

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2002

NOTE F – NOTES PAYABLE - CONTINUED

The aggregate maturities of the notes payable consist of the following:

Year ended <u>December 31,</u>	
2003	\$ 13,603
2004	14,823
2005	9,549
2006	<u>85,131</u>
	<u>\$ 123,106</u>

NOTE G – PENSION PLAN

Total Community Action, Inc. sponsors a defined contribution employee pension plan covering all employees twenty-one years or older who have worked for the corporation a minimum of three years. The corporation decides the amount, if anything, to contribute each year to the individual retirement accounts for the eligible employees based on a percentage of annual compensation. The percentage, determined by the Board of Directors, was 9.5% or \$837,934 for the year ended December 31, 2002.

NOTE H – COMMITMENTS

The corporation leases its administrative and program offices annually. The rental expense for the year ended December 31, 2002 totaled \$648,676.

NOTE I – RESTATEMENT OF PRIOR YEAR NET ASSETS

The prior year net assets were restated at December 31, 2001 for an error in recording accrued interest receivable (\$48,704) and the prior year fund raising revenue (\$19,743). The restatement of the net assets is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restated</u>	<u>Total</u>
Net assets, December 31, 2001	\$ 414,087	\$ 224,908	\$ 548,792	\$ 1,187,787
Correction of prior year errors	<u>68,447</u>	<u>-</u>	<u>-</u>	<u>68,447</u>
Net assets – restated, December 31, 2001	<u>\$ 482,534</u>	<u>\$ 224,908</u>	<u>\$ 548,792</u>	<u>\$ 1,256,234</u>

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2002

NOTE J - RELATED PARTY TRANSACTIONS

The principal premises of Total Community Action, Inc. is leased from an affiliated non-profit corporation. Management is of the opinion that rental payments made to this affiliated corporation are comparable with those charged by various business enterprises in the City of New Orleans. The rental payments for the year ended December 31, 2002 totaled \$209,975.

Additionally, Total Community Action, Inc. presently provides administrative and technical assistance to a program it sponsors. This program sells janitorial supplies to the public, its sponsors, and the private sector. Management is of the opinion that the prices charged Total Community Action, Inc. are comparable with those purchased through outside suppliers. The purchases for the year ended December 31, 2002 totaled \$60,712.

The corporation owes \$28,957 to the Total Community Action Federal Credit Union for the purchase of transportation equipment in 2002. Management is of the opinion that the interest rate charged (9%) was comparable to that charged by various financial institutions.

NOTE K - PERMANENTLY RESTRICTED NET ASSETS

Total Community Action, Inc. is self-insured for employee unemployment compensation claims through the establishment of an unemployment insurance fund.

Transfers of \$15,933 were made from program funds to the unemployment insurance fund for the year ended December 31, 2002, which is accounted for as revenue of the unemployment insurance fund and an expense of the related program. The unemployment insurance fund reimburses the unrestricted fund for all direct costs in administering the program and transfers all net interest income earned on unemployment insurance funds to the unrestricted fund.

All known claims as of December 31, 2002 have been recorded in the financial statements.

NOTE L - INCOME TAXES

The corporation is exempt from corporation income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE M - BOARD OF DIRECTORS

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

NOTE N - CONCENTRATION OF CREDIT RISK

Cash balances are adequately insured by federal deposit insurance and securities pledged with the Federal Reserve Bank and Federal Home Loan Bank.

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2002

NOTE O – CASH FLOW INFORMATION

The interest paid for the year ended December 31, 2002 totaled \$7,857.

NOTE P – ECONOMIC DEPENDENCY

Total Community Action, Inc. receives a majority of its revenues from funds provided through grants administered by the Department of Human Services and the State of Louisiana. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are effected at the federal and/or state level, the amount of the funds Total Community Action, Inc. receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds Total Community Action, Inc. will receive in the next fiscal year.

The corporation is supported primarily through grants from governmental agencies. Approximately 99% of the corporation support for the year ended December 31, 2002 came from these grants.

SUPPLEMENTAL INFORMATION

TOTAL COMMUNITY ACTION, INC.

COMBINED STATEMENT OF ACTIVITIES

For the year ended December 31, 2002

	<u>HEAD START GRANT</u>	<u>CHILD CARE FOOD PROGRAM</u>	<u>COMMUNITY SERVICES BLOCK GRANT PROGRAM</u>	<u>MINOR HOME REPAIRS - TOTAL COMMUNITY ACTION</u>	<u>HOME ENERGY ASSISTANCE PROGRAM</u>	<u>WELFARE TO WORK</u>
REVENUES						
Grant appropriations	\$ 20,841,512	\$ 1,123,798	\$ 1,898,507	\$ 104,898	\$ 2,884,440	\$ 89,130
Interest income	4,140	-	-	-	76	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	20,845,652	1,123,798	1,898,507	104,898	2,884,516	89,130
EXPENSES						
Salaries	6,298,483	613,259	1,073,464	30,584	27,214	40,784
Fringe benefits	1,631,909	157,903	261,533	6,882	6,237	10,211
Travel	101,103	-	26,195	-	2,281	2,327
Contractual	309,214	1,750	-	-	34,510	-
Supplies	744,316	58,720	52,632	1,532	21,571	1,068
Food costs	538,091	275,043	2,512	-	-	-
Subrecipient costs	5,988,692	-	-	-	-	-
Equipment expenses	481,883	-	5,415	-	8,071	3,279
Insurance	257,186	-	28,553	2,501	-	-
Utility assistance	-	-	-	-	2,683,200	-
Telephone	69,648	-	24,886	-	2,222	580
Rent	487,886	-	136,334	-	20,986	-
Utilities	213,571	-	37,673	-	-	-
Vehicle expense	65,744	-	20,778	-	1,936	-
Postage	11,370	-	22,344	-	13,645	194
Other costs	<u>3,646,556</u>	<u>17,123</u>	<u>204,681</u>	<u>64,702</u>	<u>47,643</u>	<u>-</u>
	20,845,652	1,123,798	1,897,000	106,201	2,869,516	58,443
Increase <decrease> in net assets	-	-	1,507	< 1,303 >	15,000	30,687
Transfer costs to general	-	-	-	1,303	-	-
Acquisition of transportation equipment	-	-	-	-	< 15,000 >	-
Net assets - restated, beginning of year	-	-	-	-	113,412	< 30,687 >
Net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,507</u>	<u>\$ -</u>	<u>\$ 113,412</u>	<u>\$ -</u>

TOTAL COMMUNITY ACTION, INC.

COMBINED STATEMENT OF ACTIVITIES - CONTINUED

For the year ended December 31, 2002

	<u>ELDERLY AND HANDICAPPED ASSISTANCE FUND</u>	<u>URBAN AND RURAL COMMUNITY ECONOMIC DEVELOPMENT</u>	<u>FOOD DISTRIBUTION PROGRAM CITY OF NEW ORLEANS</u>	<u>PROJECT INDEPENDENCE PROGRAM</u>	<u>WEATHERIZATION PROGRAM</u>	<u>TEEN PREGNANCY PREVENTION</u>
REVENUES						
Grant appropriations	\$ -	\$ 111,969	\$ 85,000	\$ 64,715	\$ 177,550	\$ 3,861
Interest income	-	-	-	-	-	-
Other	-	-	-	-	-	-
	<u>-</u>	<u>111,969</u>	<u>85,000</u>	<u>64,715</u>	<u>177,550</u>	<u>3,861</u>
EXPENSES						
Salaries	582	22,895	60,771	43,343	31,559	3,111
Fringe benefits	1,044	10,731	12,886	8,313	8,104	550
Travel	-	-	-	80	-	-
Contractual	-	79,620	4,696	-	2,276	-
Supplies	-	320	2,884	8,733	53,476	-
Food costs	-	-	-	-	-	200
Subrecipient costs	-	-	-	-	-	-
Equipment expenses	-	-	-	-	-	-
Insurance	-	-	-	-	1,566	-
Utility assistance	-	-	-	-	-	-
Telephone	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Vehicle expense	-	-	3,606	-	-	-
Postage	-	-	157	-	-	-
Other costs	-	150	-	-	52,193	-
	<u>1,626</u>	<u>113,716</u>	<u>85,000</u>	<u>60,469</u>	<u>149,174</u>	<u>3,861</u>
Increase <decrease> in net assets	< 1,626 >	< 1747 >	-	4,246	28,376	-
Transfer costs to general	-	1,747	-	-	-	-
Acquisition of transportation equipment	-	-	-	-	-	-
Net assets - restated, beginning of year	<u>1,626</u>	<u>-</u>	<u>-</u>	<u>3,572</u>	<u>< 58,174 ></u>	<u>-</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,818</u>	<u>\$ < 29,798 ></u>	<u>\$ -</u>

TOTAL COMMUNITY ACTION, INC.

COMBINED STATEMENT OF ACTIVITIES - CONTINUED

For the year ended December 31, 2002

	<u>TEMPORARY ASSISTANCE FOR NEEDY FAMILIES</u>	<u>INDIRECT COST ACCOUNT</u>	<u>GENERAL</u>	<u>UNEMPLOYMENT</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
REVENUES						
Grant appropriations	\$ 204,191	\$ -	\$ -	\$ -	\$ -	\$ 27,589,571
Interest income	-	-	16,843	5,674	-	26,733
Other	-	589,378	283,368	38,145	<605,311>	305,580
	<u>204,191</u>	<u>589,378</u>	<u>300,211</u>	<u>43,819</u>	<u><605,311></u>	<u>27,921,884</u>
EXPENSES						
Salaries	98,292	404,213	-	-	-	8,748,554
Fringe benefits	19,725	101,391	1,902	-	<15,933>	2,223,388
Travel	-	1,208	-	-	-	133,194
Contractual	428	26,089	-	-	-	458,583
Supplies	17,448	-	-	-	-	962,700
Food costs	-	-	-	-	-	815,846
Subrecipient costs	-	-	-	-	-	5,988,692
Equipment expenses	-	-	-	-	-	498,648
Insurance	-	7,456	-	-	-	298,512
Utility assistance	-	-	-	-	-	2,733,777
Telephone	50,577	-	1,250	-	-	97,336
Rent	-	3,470	-	-	-	648,676
Utilities	-	-	-	-	-	251,244
Vehicle expense	-	13,855	-	-	-	105,919
Postage	-	-	-	-	-	47,710
Other costs	<u>24,768</u>	<u>46,899</u>	<u>11,643</u>	<u>19,381</u>	<u><589,378></u>	<u>3,546,361</u>
	<u>211,238</u>	<u>604,581</u>	<u>14,795</u>	<u>19,381</u>	<u><605,311></u>	<u>27,559,140</u>
Increase <decrease> in net assets	< 7,047>	< 15,203>	285,416	24,438	-	362,744
Transfer costs to general	-	-	< 3,050>	-	-	-
Acquisition of transportation equipment	-	-	15,000	-	-	-
Net assets - restated, beginning of year	<u>4,512</u>	<u>1,851</u>	<u>671,330</u>	<u>548,792</u>	<u>-</u>	<u>1,256,234</u>
Net assets, end of year	<u>\$ <2,535></u>	<u>\$ <13,352></u>	<u>\$ 968,696</u>	<u>\$ 573,230</u>	<u>\$ -</u>	<u>\$ 1,618,978</u>

TOTAL COMMUNITY ACTION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2002

<u>PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>	<u>SUBRECIPIENT COSTS</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Head Start – Full Year Center & Home Based & Training and Technical Assistance	93.600	\$ 20,845,652	\$ 5,988,692
Urban and Rural Community Economic Development (Operational)	93.570	111,969	-
Passed through State of Louisiana:			
Home Energy Assistance Program	93.568	2,884,516	-
Community Services Block Grant	93.569	1,898,507	-
Project Independence	93.561	60,469	-
Temporary Assistance to Needy Families	93.558	208,703	-
Teen Pregnancy Prevention	93.558	3,861	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>26,013,677</u>	<u>5,988,692</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through State of Louisiana:			
Child Care Food Program	10.558	<u>1,123,798</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>1,123,798</u>	<u>-</u>
U.S. DEPARTMENT OF ENERGY			
Passed through State of Louisiana:			
Weatherization Assistance Program	81.042	<u>177,550</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF ENERGY		<u>177,550</u>	<u>-</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through City of New Orleans:			
Minor Home Repairs – Total Community Action	14.218	<u>104,898</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>104,898</u>	<u>-</u>
U.S. DEPARTMENT OF LABOR			
Passed through State of Louisiana:			
Welfare – to – Work	17.253	<u>89,130</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF LABOR		<u>89,130</u>	<u>-</u>
TOTAL FEDERAL AWARDS		<u>\$ 27,509,053</u>	<u>\$ 5,988,692</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. The Schedule of Expenditures of Federal Awards was prepared on the accrual basis of accounting.
2. The Head Start grant requires non-federal matching funds totaling 20% of the grant. The in-kind contributions totaled \$6,144,141 for the year ended December 31, 2002. The corporation was in compliance with the matching requirements of the grant.

Justin J. Scanlan, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT
4769 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
TELEPHONE: (504) 288-0050

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Total Community Action, Inc.

I have audited the financial statements of Total Community Action, Inc. (a non-profit corporation) as of and for the year ended December 31, 2002, and have issued my report thereon dated May 29, 2003. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in Government Auditing Standards, issued by the comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Total Community Action, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Total Community Action, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

New Orleans, Louisiana
May 29, 2003

Justin J. Scanlan, CPA

Justin J. Scanlan, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Total Community Action, Inc.

Compliance

I have audited the compliance of Total Community Action, Inc. (a non-profit corporation) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 2002. Total Community Action, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompany schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Total Community Action, Inc.'s management. My responsibility is to express an opinion on Total Community Action, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Total Community Action, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Total Community Action, Inc.'s compliance with those requirements. In my opinion, Total Community Action, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

Internal Control Over Compliance

The management of Total Community Action, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Total Community Action, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in

relation to the financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Justin J. Scanlon, CPA

New Orleans, Louisiana
May 29, 2003

TOTAL COMMUNITY ACTION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2002

A. SUMMARY OF THE AUDIT RESULTS

1. An unqualified opinion was issued on the financial statements of the auditee.
2. The statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses is not applicable.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of the auditee.
4. The statement that reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses is not applicable.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit disclosed no findings which are required to be reported under Section 510(a) of Circular A-133.
7. The major programs for the year ended December 31, 2002 consist of the following:
 1. Head Start-Full Year Center & Home Based & Training and Technical Assistance – CFDA No. 93.600
 2. Home Energy Assistance Program – CFDA No. 93.568
 3. Community Services Block Grant – CFDA No. 93.569
 4. Child Care Food Program – CFDA No. 10.558
8. The dollar threshold to distinguish between Type A and Type B programs was \$825,272.
9. The auditee did not qualify as a low-risk auditee.

TOTAL COMMUNITY ACTION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended December 31, 2002

B. FINDINGS – FINANCIAL STATEMENTS AUDIT – REPORTABLE CONDITIONS

There were no items identified in the course of my testing during the current year required to be reported.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no items identified in the course of my testing during the current year required to be reported.

D. STATUS OF PRIOR YEAR AUDIT FINDINGS

There were no prior year audit findings.